HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Trois-Rivières CMA

Canada Mortgage and Housing Corporation

Date Released: Spring 2008

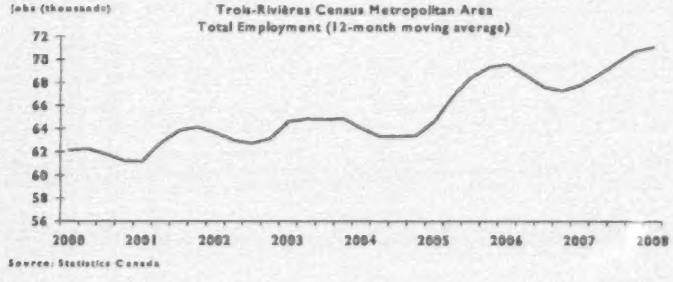
Economy to slow down slightly

In the Trois-Rivières census metropolitan area (CMA), the economy will slow down slightly over the next two years. Once again, the uncertainties related to the manufacturing sector, which has been experiencing difficulties for some time now, will limit the growth prospects. In fact, the rapid appreciation of the Canadian dollar against the U.S. dollar in recent quarters significantly reduced the margin of manufacturers and hindered their competitiveness.

However, the service sector will remain dynamic, which will partly offset the sluggishness of the manufacturing sector. In addition, a number of retrofit projects, including some for public infrastructure, will stimulate non-residential construction. In this regard, it should be noted that the airport infrastructure improvements, which benefited from several million dollars in investments and will extend over several phases, will soon get under way.

Figure 1

Employment Recovers After Slowing Down in 2006



Source: Statistics Canada

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Over the next two years, between 700 and 1,000 new jobs will be created annually in the CMA. This growth in the number of new jobs, which will vary between 1.0 per cent and 1.5 per cent in 2008 and 2009, will certainly be more moderate than the gain registered in 2007 (+5 per cent or 3,500 new jobs).

The total population of the Trois-Rivières CMA had been recording slowing growth until recently but, in 2007, entered a phase of negative growth, which will intensify over the coming years. The slowdown in household formation in the area, which constitutes a better indicator of housing demand, will continue over the next two years, but very gradually.

As for migration, which has been very strong in the CMA for the last few years, a slight slowdown will be felt. In fact, the slightly less favourable economic outlook will make the area less attractive in the eyes of migrants and result in a small decrease in net migration in the area. From 800 people in 2006, the net level will fall to 650 in 2008 and then to 500 in 2009. These figures are below the levels recorded in previous years but still relatively high for the region, which, not so long ago, showed negative net migration numbers.

Mortgage rates will remain relatively flat

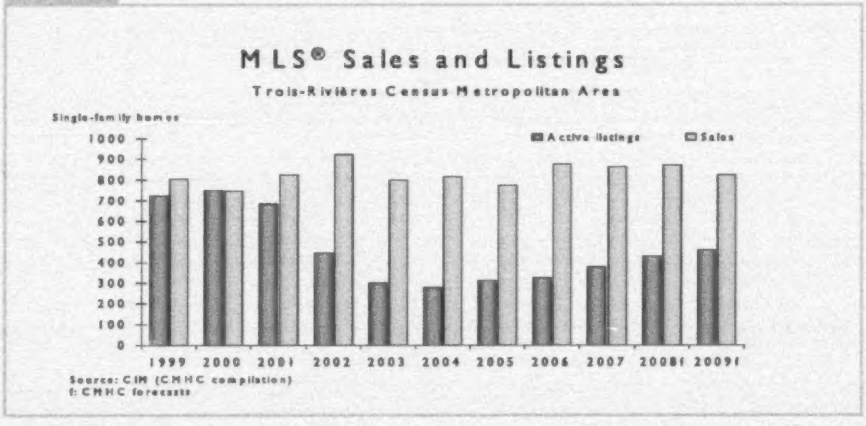
Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Resale market to remain stable in 2008 before declining slightly in 2009

The resale market has been relatively active over the last two years in the area, as transactions reached high levels. Even though 2007 ended with a very small decrease in sales (-2 per cent), 863 transactions were still registered, a level well above the annual average of 785 sales recorded for the last ten years. In 2008, the resale market will remain relatively stable, as sales will reach 870 units. The formation of new households aged from 25 to 34 years—an active client group on this market—will slow down slightly this year, but continued favourable financing conditions, a dynamic job market in 2007 and a greater choice of properties for sale will maintain the pace of transactions. For 2009, however, the weakening of the job market anticipated in 2008 and 2009, along with the growing slowdown in the formation of new households (25 to 34 years), will cause sales to fall in the Trois-Rivières area. In addition, the average price of properties, which has increased considerably in recent years, will continue to rise from now until 2009, which will curb the enthusiasm of some buyers. In all, 825 properties will change hands in 2009, down by 5 per cent from 2008.

The seller-to-buyer ratio will rise slightly in 2008 and 2009, as the number of properties for sale will continue to increase. Since reaching a low point in 2004, this ratio has been gradually going back up in the area and, for the first time since 2002, has now surpassed 5 to 1. Having just come out of the overheated range (below 5 to 1), the seller-to-buyer ratio attained 5.2 to 1 at the end of 2007, indicating that the market is

Figure 2



slowly easing. Over the forecast period, however, this ratio will stay below the balanced range[1], and the negotiating power will remain in the hands of sellers.

Consequently, price increases will remain steady. The price of single-family homes located in the Trois-Rivières CMA, which were selling for an average of $128,000 in 2007, up by 11 per cent over the year before, will again rise significantly in 2008 and 2009. In fact, in 2008, the average price will reach $138,500, for an increase of 8 per cent over 2007. With the rise in the seller-to-buyer ratio, the gain will be slightly smaller in 2009 (+7 per cent), as properties will be selling for an average of $148,000.

New home market: starts volumes to stay high

The last three years have been characterized by high levels of starts, especially 2006 and 2007, when foundations were laid for more than 1,000 dwellings annually in the Trois-Rivières CMA. This strong activity was largely due to the many rental housing starts in the area. In fact, rental housing construction, which has accounted for nearly half of all starts in the last few years, has been strongly stimulated by the low vacancy rates observed for five years now in the CMA.

Residential construction will lose some strength over the next two years in the area, but very little. Despite a slightly weaker job market and slowing household formation, still favourable financing conditions and continued strong migration will stimulate the construction of new homes. Starts will fall by 12 per cent in 2008, as foundations will be laid for 1,050 dwellings. The many migrants will continue to put upward pressure on demand for rental housing, and starts of this type will again reach a high level, as a total of 425 rental housing units will get under way (-12 per cent). In the single-detached home segment, the decrease will be somewhat smaller, as foundations will be laid for 400 houses of this type (-7 per cent). Lastly, 225 semi-detached and row homes will be started, for a similar decrease (-8 per cent).

This gradual slowdown will continue in 2009, as migration will decrease, which will ease the pressure on demand for rental housing. Also, the greater choice of properties for sale will result in a slight decline in homeowner (single-detached, semi-detached and row) housing starts. In fact, the rise in listings on the resale market will limit demand for new homes, as it will be easier for potential buyers to find existing properties that suit their needs. A total of 900 starts will be enumerated on the territory of the CMA in 2009 (-14 per cent). More specifically, starts will register decreases of 18 per cent for rental dwellings (to 350 units), 13 per cent for single-detached homes (to 350 units) and 11 per cent for semi-detached and row houses (to 200 units).

Rental market expected to ease gradually

Since 2003, the rental market has been particularly tight in the Trois-Rivières CMA, on account of the strong migration recorded in recent years, which put significant pressure on the rental housing demand. In the fall of 2007, the proportion of vacant units stood at 1.5 per cent, up slightly over 2006 (1.0 per cent). The market will continue to ease in 2008 and 2009, but very gradually. In fact, the low vacancy rates registered in recent years strongly stimulated rental housing construction, and many new units are anticipated from now until the end of 2009. As well, migration, although still strong, will slow down slightly. This increase in

Figure 3

[1] The balanced range for the seller-to-buyer ratio is between 8 and 10 to 1, indicating a market where neither buyers nor sellers are favoured.

the supply of units, combined with a small decrease in demand, will therefore cause the vacancy rate to rise to 1.8 per cent in 2008 and then to 2.2 per cent in 2009. And, the average rent for two-bedroom apartments will increase by 2.0 per cent in 2008 and by 1.5 per cent in 2009.

Forecast Summary Trois-Rivières CMA Spring 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	773	877	863	870	0.8	825	-5.2
MLS® Active Listings	313	324	377	430	14.1	460	7.0
MLS® Average Price ($)	112,250	115,900	128,003	138,500	8.2	148,000	6.9
New Home Market							
Starts:							
Single-Detached	367	372	430	400	-7.0	350	-12.5
Multiples	552	645	767	650	-15.3	550	-15.4
Starts - Total	919	1,017	1,197	1,050	-12.3	900	-14.3
Average Price ($):							
Single-Detached	166,673	176,831	184,966	194,200	5.0	202,900	4.5
Median Price ($):							
Single-Detached	160,000	165,000	170,000	178,500	5.0	184,650	3.4
New Housing Price Index (% chg) (Que.)	4.9	4.4	4.2	n.d.	_	n.d.	_
Rental Market							
October Vacancy Rate (%)	1.5	1.0	1.5	1.8	_	2.2	_
Two-bedroom Average Rent (October) ($)	474	488	487	497	_	504	_
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	_	6.83	_
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	_	6.97	_
Annual Employment Level	69,375	67,325	70,775	71,660	1.3	72,500	1.2
Employment Growth (%)	9.4	-3.0	5.1	1.3	_	1.2	_
Unemployment rate (%)	9.2	8.1	7.8	8.0	_	8.2	_
Net Migration [1]	815	832	750	650	-13.3	500	-23.1

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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